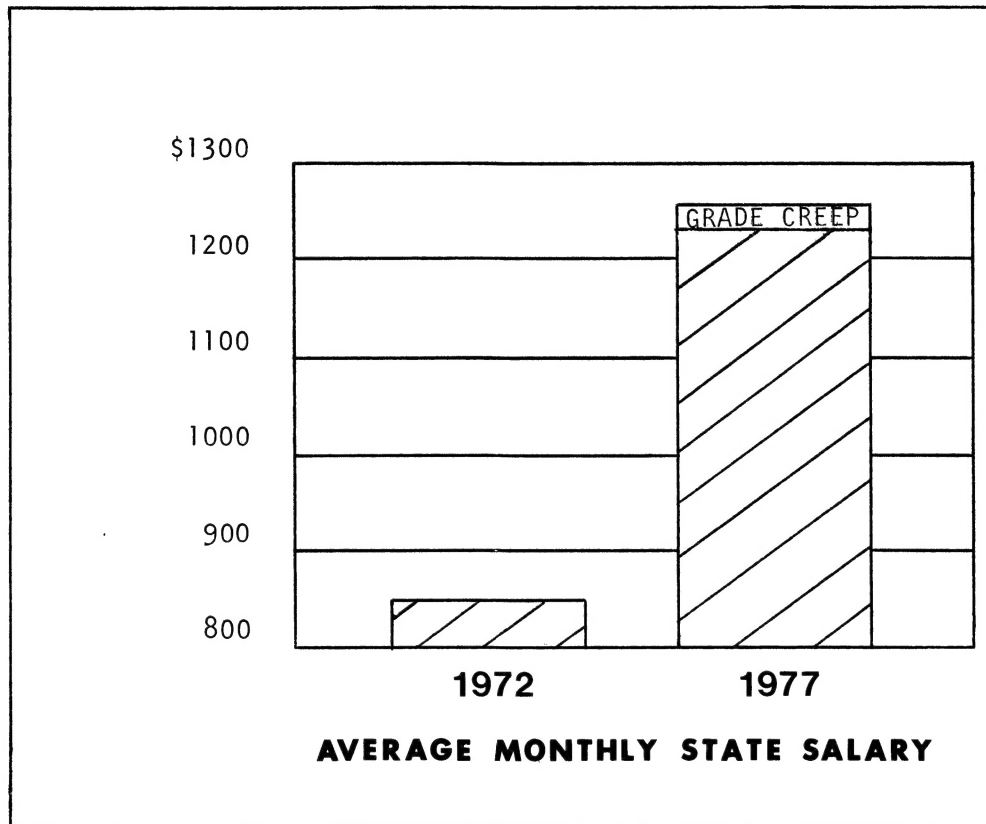




Joint Legislative Audit Committee
Office of the Auditor General



REPORT TO THE CALIFORNIA LEGISLATURE



IMPROVEMENTS NEEDED IN THE MANAGEMENT OF POSITION CLASSIFICATION IN STATE SERVICE STATE PERSONNEL BOARD

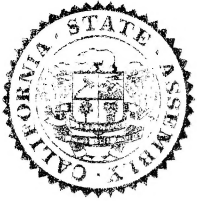
Office of the Auditor General
1955 - 1977

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

706.2

IMPROVEMENTS NEEDED IN THE
MANAGEMENT OF POSITION CLASSIFICATION
IN STATE SERVICE

NOVEMBER 1977



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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November 10, 1977

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report on position (job) classification in state service, a responsibility of the State Personnel Board.

The performance of the Board over the past twenty years is minimal in comparison with its federal counterpart, the United States Civil Service Commission. Operations remain reminiscent of the horse and buggy.

The Board responds that, "during the last five years it has been necessary to make increasingly difficult decisions in allocating modest resources to meet many new demands placed in personnel management." A frustrated parent couldn't have said it better.

The Executive Branch must make its case to the Legislature if assistance is needed in carrying out its assigned tasks. A zealous Board should not de-emphasize mandated responsibilities under the guise of economy. Of what benefit is economy absent effectiveness?

By copy of this letter, the Board is requested to advise the Joint Legislative Audit Committee within sixty days of the status of implementation of the recommendations of the Auditor General that are within the statutory authority of the Board.

The auditors are Gerald A. Silva, CPA, Audit Supervisor; Richard C. Mahan; Robert T. O'Neill; and Jeffrey L. Mikles.

Respectfully submitted,

MIKE CULLEN
Chairman

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SUMMARY

California statutes enable the State Personnel Board (Board) to create, revise and abolish classes. Additionally, the statutes require that all state positions be allocated to the appropriate classes.

In 1956, the Board implemented the Modified Classification Review program which delegated classification authority to departments. Departments are authorized to classify new positions, reclassify existing positions and/or fill vacancies in certain classes without prior classification review by the Board. Classes delegated had duties and responsibilities sufficiently distinct from other classes or had sufficiently well-defined specifications, allocation standards or grades that relatively few problems were anticipated in making the allocations. By 1977, almost all classes in state service had been delegated to departments.

The Board has not effectively managed the classification of positions in state departments because:

- Classification authority has been delegated to departments without developing adequate position allocation standards (see page 9)
- Classification of state employees has not been effectively monitored (see page 14).

The Board's inadequate control of classification has at least partially contributed to "grade creep" in State Government. Several factors, including misclassification, contribute to grade creep. Many are justified while others are uncontrollable. We computed overall grade creep to be costing the State approximately \$19 million annually. While we identified specific misclassification cases in three departments, we were unable to measure the amount of grade creep directly attributable to misclassification.

We recommend the Board (1) establish an ongoing process for reviewing major occupational groups/class services, (2) develop a standard methodology for developing and reviewing allocation standards, (3) control and expand the audit of delegated personnel functions, and (4) develop a more comprehensive training program for analysts concerned with classification programs (see page 14).

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we are examining the operations of the State Personnel Board (Board). We have reviewed the Board's position classification authority and management. The examination was conducted under authority vested in the Auditor General by Section 10527 of the Government Code. This is the second in a series of reports concerning the Board's operations.

The Board, which consists of five members appointed by the Governor, is the central personnel agency for California State Government. Under constitutional authority, the five-member personnel board administers the State Civil Service Merit Employment System, which (1) assures equitable treatment to all employees, and (2) promotes effective and efficient government. The Board provides all state departments with personnel management standards and guidelines based upon merit system principles. In addition to classifying positions, the Board determines levels of compensation, administers the selection process, investigates employee complaints and provides other services.

Background

Sections 18800 - 18806 of the Government Code enable the Board to create, revise and abolish classes. Moreover, the statutes:

- Require that all positions be allocated to the appropriate classes

- Establish the rights of employees affected by classification actions
- Authorize state appointing officials to create positions and report changes in duties for such positions to the Board.

In fulfilling the above responsibilities, the Board has created 3,766 job classifications to which the State's approximately 109,000 employees are allocated. These 3,766 classes are systematically arranged into 105 series and 13 major occupational groups.^{1/}

Until 1956, all classification activities were centralized with and accomplished by the Board. In February 1956, the Board implemented the Modified Classification Review Program (MCR). The program decentralizes the process of position allocation allowing departments to classify new positions, reclassify existing positions and/or fill vacancies in certain classes without prior classification review by the Board. Classes delegated had duties and responsibilities sufficiently distinct from other classes or had sufficiently well-defined specifications, allocation standards or guides that relatively few problems were anticipated in making the allocations.

^{1/} A class is a group of positions with similar duties, such as mechanical engineer or clerk-typist.

A series is a group of classes (two or more) similar in duties but different in level, such as staff services manager.

A major occupational group is a number of class series related by broad similarity of work, such as regulatory and public safety.

Initially, 492 classes were identified for full delegation. By 1958, the number of classes grew to 800. In 1959, the program was modified to include additional categories. Currently, the MCR program has been expanded and defined into the following categories:

Modified Classification Review List I: includes those classes considered to have duties sufficiently distinct from other classes. Departments may route transaction documents for classes in this category to the Board processing section without prior approval by a Board analyst.

Modified Classification Review List II: includes those classes in which the standards are not as well defined as those on List I. Original allocations on this list require Board approval; however, prior classification review is unnecessary when a vacant position is being filled providing there has not been a substantial change in duties.

Modified Classification Review List I-R: includes those classes which have been delegated on a department-by-department basis as appropriate allocation standards are developed.

Allocation of classes not designated in either category I, II or I-R are inappropriate for delegation and require prior classification review by a Board analyst.

The following chart indicates the trend of the MCR program since its establishment. Classes coded MCR I-R are shown in the totals under the MCR II column because early program data are unavailable.

TREND DATA FOR MODIFIED CLASSIFICATION
REVIEW PROGRAM

<u>YEAR</u>	<u># MCR I (%)*</u>	<u># MCR II (%)*</u>	<u># No MCR (%) *</u>	<u>TOTAL # STATE CLASSES</u>
1956	492 (21%)	N/A	1,810 (79%)	2,302
58	800 (33%)	N/A	1,649 (67%)	2,449
59	1,000 (40%)	1,000 (40%)	491 (20%)	2,491
60	900 (35%)	1,150 (45%)	500 (19%)	2,550
62	1,000 (36%)	1,380 (49%)	429 (15%)	2,809
64	1,059 (36%)	1,453 (49%)	437 (15%)	2,949
66	1,097 (35%)	1,580 (50%)	496 (15%)	3,173
68	2,311 (70%)	620 (19%)	347 (11%)	3,278
70	2,625 (74%)	503 (14%)	418 (12%)	3,546
72	2,489 (69%)	647 (18%)	491 (14%)	3,627
74	2,410 (67%)	697 (19%)	512 (14%)	3,601
76/77	2,607 (69%)	661 (18%)	498 (13%)	3,766

*Percent of Total Classes

Scope of the Review

Our audit emphasized evaluating the Board's efficiency and effectiveness in managing the classification of state employees. We examined (1) the Board's system of delegating classification authority to departments, (2) the structure and criteria used for classifying positions, and (3) the Board's information and management systems for monitoring classification. Additionally, we selected three departments and examined their classification procedures and operations. Finally, we conducted desk audits of positions in the three departments to determine the significance of classification problems.

The primary audit work was conducted by Robert L. Leonetti, an independent personnel consultant, under contract with the Joint Legislative Audit Committee. All work was closely supervised and directed by the Office of the Auditor General. The audit approach included interviewing staff of the Board and the departments and reviewing pertinent records and reports.

AUDIT RESULTS

LACK OF ADEQUATE ALLOCATION STANDARDS
AND A CLASSIFICATION MONITORING SYSTEM

The State Personnel Board (Board) has not effectively managed the classification of employee positions in state departments because:

- Classification authority has been delegated to departments without developing adequate allocation standards for classifying positions accurately and consistently
- Classification of state employees has not been effectively monitored.

The Board's inadequate management of classification has partially contributed to grade creep^{1/} in State Government. Changes in the composition of state employees and in organizational control and inadequate personnel management each contribute to grade creep, which currently costs the State \$19 million annually. However, the extent to which each of these factors contributes to grade creep is undetermined. While some portion of the increase may be justified due to increased and more complex duties, small unjustified increases in the average grade level significantly increase government costs.

^{1/} An increase in the average grade level of employees in State Government. Grade creep can result from (1) new duties being assigned, thus increasing the complexity of the work, (2) reorganizations causing positions to be upgraded occasionally without justification, (c) other changes to the personnel structure, or (d) poor personnel management.

Need for Position Allocation Standards

The Board has not established a uniform process for either developing new position allocation standards or reviewing the adequacy of existing ones. As a result, up to 39 percent of the 109,000 state employees have been classified into positions for which no allocation standards exist. Additionally, many employees are in positions which have old allocation standards which may be outdated and therefore no longer accurate.

Allocation standards serve as benchmarks for classifying positions to their appropriate series and level. In this respect, standards:

- Provide definitions of classes by showing the work factors with respect to type and level of work
- Help secure uniformity and coordination in classifying positions by providing an established standard for common reference.

According to the Board's Classification and Pay Manual, allocation standards are formal written materials used to assist personnel analysts in making position allocations to a class or series of classes. Standards may be in the form of grade level descriptions, job descriptions, series comparison charts, staffing ratios or budgetary information. Specifically, an appropriate allocation standard should (1) provide a structure for distinguishing between two levels, and (2) discuss the characteristics of each of the two levels so as to provide guidance and an increased ability to make an appropriate classification decision.

Allocation standards generally define a position based on type and level of work. The type of work is the professional, occupational or functional field in which the position falls. The level of work is normally determined by such factors as:

- Extent of supervision or guidance provided
- Variety and degree of knowledge and skills required
- Analytical requirement to perform the work
- Responsibility for public contact
- Responsibility for making decisions
- Working conditions.

The Board's Classification and Pay Manual (1) outlines who is responsible for developing allocation standards, (2) provides detailed procedures for approving and filing allocation standards after preparation, and (3) generally describes methods for reviewing and updating standards. While the manual is specific in outlining procedures for clearing and filing new standards, it does not identify when standards should be prepared and used or define an actual method for preparing allocation standards.

According to the manual, primary responsibility for identifying the need for allocation standards rests with the Board's operations analysts who have classification responsibilities. The need for standards may also be identified by the Board's Personnel Management Survey Section or a department.

The Board, however, has not established any guidelines to assist department and Board personnel analysts in determining the need for standards. Currently, the Board has 260 allocation standards which cover 532 of the 3,766 classes. While not all positions require allocation standards (some positions have only a few incumbents), accurate classification of a position is generally facilitated through use of standards. According to an analysis conducted at the request of the Auditor General, up to 39 percent of state employees have been classified into positions for which no allocation standard exists. While we did not attempt to determine whether or not these positions were accurately classified, the potential for misclassification is greater than if allocation standards had been used when these positions were classified.

The Board has not defined a uniform methodology for developing standards. Information sources to be used, research methodologies, basic work factors to be evaluated and standardized formats are not discussed in the manual. As a result, existing allocation standards have been developed in more than one format (Appendix A offers examples of two different formats).

The Board's federal counterpart, the U.S. Civil Service Commission, has delegated classification authority to federal departments and agencies. However, the Commission has developed comprehensive allocation standards for each of its classes. The Commission has designated a division to continually review and update allocation standards. In developing new standards, the Commission applies a delphi research methodology--a repetitive questionnaire process which gathers related data

from experts in the disciplinary fields related to a job class. Federal allocation standards are generally in one format, outlining the basic work factors and offering comparative examples to assist a classifier.

The Board has developed comprehensive procedures for reviewing and updating existing standards. The Classification and Pay Manual discusses individuals responsible and general procedures for updating and reviewing standards; however, the system is not actually utilized. According to the manual, allocation standards are reviewed (1) as part of the post-audit review of delegated classification authority, and (2) through use of a "recall" system whereby each standard is sent to the appropriate Operations Section supervisor one to three years after it is filed.

Periodically, the Board conducts audits of personnel activities, including classification, which have been delegated to departments (see page 15 for further discussion of post-audits). However, until recently, the Board's program of auditing delegated classification responsibility has been minimal. Since 1971 only three departmental audits have been completed. These audits did not indicate that any allocation standards were reviewed for adequacy even though the Board's audit checklist includes review of standards. In recent months the Board has undertaken special studies of major occupational groups which resulted in a broad-based evaluation of existing classes and their respective standards. These studies, however, are not cyclically planned and, therefore, do not ensure adequate review of existing standards.

The Board's "recall" system for reviewing standards has also not been actively used. The "recall" system is designed to forward each standard to the proper Operations Section supervisor every one to three years. At that time, the supervisor reviews the standard for currency and revises it as necessary. The revised standard is then returned to the general files for recall in another one to three years. A review of 59 existing allocation standards and their respective effective dates revealed an average age of 10.2 years and a range of one to 27 years. While some classes are very stable and may not require revisions to standards, the current system does not provide a means of control to ensure that they are accurate.

Number of Classes

The State Civil Service structure has more than ten times the number of standards the Federal Government uses, yet does not have as broad a pay scale as the federal general schedule. This complicates the management of job classification. Some classes in the state system could be consolidated because they involve the same basic work. In Engineering, for example, there are classes at various levels of transportation engineer, water resources engineer and civil engineer--all doing the same kind of work and using the same number of levels. At least five different class specifications exist for survey party chiefs. We also found about 35 different classes for auditor positions.

The development of many similar classes has provided departments with separate exams and permitted them greater control over the promotional patterns which their employees follow. Consolidating and reducing the number of classes reduces the number of salaries which have to be set and thus the opportunity for classification errors. However, consolidating classes may not always be cost-beneficial because of the increased cost in the examination process. There are classes, such as the auditor class, where economies-of-scale may be possible by establishing one generic class and departmental lists for promotions. This system has already been applied to the staff services manager classes.

Need for Increased Monitoring of Classification

The Board is responsible for properly allocating positions and therefore must ensure that departments are properly using authority delegated to them through the MCR program. The Board has not effectively monitored departmental classification activities to ensure that positions are being accurately classified. The Board's current monitoring program is inadequate because:

- Too few post-audits of delegated classification authority are conducted
- Few special studies evaluating major occupational groups have been completed

- Current classification level tracking system is inadequate and misleading
- Board analysts conducting post-audits of classification are inexperienced and undertrained.

Classification Post-Audits

In July 1968, the Board implemented a system of post-audits as a means of reviewing the use of classification responsibility delegated to departments under the MCR program (see page 4). According to the Board's Classification and Pay Manual, each department was originally scheduled to be surveyed by the Board every five to eight years. Additionally, department allocation decisions are supposed to be reviewed each year for appropriateness.

Classification post-audits review the department's classification decision-making processes and procedures and check decisions against allocation standards or class specifications. The audit is designed to cover all classes used by the department under MCR authority. Additionally, other aspects of personnel management are discussed. To assist in the evaluation of a department's classification activities, job audits are conducted. There are generally two types of job audits: documentation and desk. A documentation job audit evaluates the accuracy of a position allocation by reviewing departmental organization

charts and comparing employee duty statements to allocation standards or job specifications. A desk audit involves validating the documentation through interviews with the employee and his or her supervisor(s). Problems which are identified during a post-audit are resolved through jointly formulated solutions.

Although detailed procedures for conducting personnel management audits and for correcting misallocated positions are contained in the Classification and Pay Manual, only three audits have been conducted since 1971. Audits and surveys were made annually until 1971. At that time, the unit responsible for surveys was discontinued. According to Board staff, audits were discontinued because (1) they were not cost-effective; and (2) workloads in other areas were increasing without parallel increases in staffing.

To evaluate the effectiveness of previous surveys, we examined four audits conducted prior to 1971. In each of the four cases we found more positions misclassified than were actually reported. Furthermore, the Board did not follow up on positions which had not been audited even though, in some cases, identical positions which were audited were found to be misclassified. The following examples taken from two of the audit reports illustrate this point.

Department of Public Works Classification Audit

The Board's analysts conducted job audits of 3,045 positions. The audit team found 154 misclassified positions, or five percent of the total positions audited. The body of the report, however, discussed additional positions misclassified but not included on the listing of misclassified positions. The following was reported in the audit dated February 4, 1970:

... Recommendation: That the following functions or positions be staffed by nonengineering personnel except when such function or positions are designated as rotational training assignments:

- (a) Administration function and Highway Districts,
- (b) Data processing function and Highway Districts,
- (c) Clerical positions and Construction Project Offices,
- (d) Public Information Functions in Highway Districts,
- (e) Traffic Counting Function at Highway Districts,
- (f) Safety Supervisor at Highway Districts,
- (g) Accident Information Posting Function at Highway Districts.

The text of the report details the use of engineering personnel to perform each of the above nonengineering functions and describes a fairly widespread use of such engineering personnel. However, none of these engineers are listed by name or identified by position, nor was the procedure for reporting and correcting misallocations followed for these positions. Had it been, the total positions reported as misclassified would have been higher than the five percent reported in the audit.

The report also contains the following statement:

The second relates to the use of the Stenographer II Class. The survey revealed that the utilization of stenographers in the districts to take dictation was not extensive enough to justify the number of incumbents in the class and as a result approximately 60 stenographic positions have been reallocated to other clerical classes. However, since not all stenographic positions in the division were interviewed, it is probable that others are misclassified. In view of this, it is recommended that all remaining stenographic positions in the division be reviewed to identify and reclassify those positions for which stenographic skills are not being utilized.

Again the audit team took no action with respect to the substantial number of positions which they either knew or suspected were misclassified at that time. Including those positions in the statistics would have substantially raised the percentage of misclassified positions identified by the survey.

Department of Motor Vehicles Classification Audit

This audit, completed on May 1, 1968, describes only 21 misallocations out of 851 (2.5 percent) positions audited. However, as in the other three studies we reviewed, a number of misclassified positions are discussed in the body of the report but are not reported as misallocated. The following quotations from the report illustrate this:

It is recommended that the Department of Motor Vehicles consider the use of General Clerk II classes for Cashier assignments instead of the Special Cashier Clerk II class for this assignment--At present the Department is the predominate user of the class Cashier Clerk II - 147 of 153 such positions in the State service--- As a part of each transaction a Cashier Clerk II also rechecks computations made at the Registration Window, explains briefly the section of the Vehicle Code, if the customer asks questions, issues the correct kind of license plates, registering disbursements and

receipts slips and balances a daily summary of transactions. The basis for this recommendation are: rapid handling of cash and making change is not a requirement of the assignment. The predominance of duties, such as record-keeping of accountable items such as plates, tags, etc., of a general clerical nature. The assignment does not require a special written test emphasizing methods of handling money, ability to make change and detect counterfeit money, and work involving rapid handling of cash and making money, and use of General Clerical Class would increase flexibility in the assignment of field office personnel.

The audit also discussed under another heading:

Recommend and prepare standards to distinguish between headquarters supervisory positions which should be evaluated to a high level clerical class and those which should be allocated to a class in the Motor Vehicle Manager series.

Finally, this audit report concluded:

In a more detailed memorandum already submitted to the Department, the survey staff concluded Headquarters Supervisory positions should be allocated primarily to office supervisor series. Thus, with the 153 Cashier positions, and the Headquarters Supervisory positions (no number shown) the number of misallocated positions found by the survey was substantially more than the 21 positions reported in the misclassified positions list.

In addition to identifying misclassified positions, classification post-audits serve other functions. For example, if departments are aware that Board analysts plan to audit departments on a regular basis, departmental personnel analysts tend to be more careful in their classification activities. Classification audits also provide Board analysts an opportunity to discuss classification problems with the department and offer alternative solutions. Such issues addressed in past Board audits have included creating new classes to facilitate recruitment and consolidating classes performing similar work.

In 1976 the Board reinstituted audits of delegated classification authority. In 1977 the Board reorganized to facilitate more systematic review of portions of the Board's classification program. The reorganization created the Audit and Control Unit, the branch currently responsible for classification control. Since 1976, the unit has completed three audits and has five audits in progress. The unit plans to conduct approximately 15 audits per year. While the unit has not developed a schedule of planned audits, they intend to identify audit areas through use of the Classification Level Tracking System (CLT)--a newly developed management information system to track grade creep in major occupational groups (see page 22 for further discussion).

The three audits completed by the Board since 1971 identified classification problems. However, these audits also focused on eight other personnel management functions delegated to departments. As a result, job classification received only limited emphasis. The audit's findings on classification are summarized below:

<u>Date</u>	<u>Department</u>	<u>Number of Employees</u>	<u>Desk Audits</u>	<u>Misclassified Positions</u>	<u>Percentage</u>
August 1976	Water Resources	2,269	31	4	13
June 1976	Industrial Relations	1,889	24	0	-
March 1977	Justice	2,861	15	2	13

Since the Board maintains no central filing system to record previous classification reviews, desk audits conducted and corrective actions taken by departments, it was impossible to determine the disposition of positions reported as misclassified.

Special Studies

Studies of major occupational groups are an alternative method of monitoring the State's classification plan. Special classification studies normally review the total classification structure of a major occupational group to:

- Identify problem areas and recommend effective change
- Consolidate job series to clarify the classification structure
- Clarify the allocation standards for the basic classes
- Review a number of individual classification requests.

Since 1971, the Board has conducted two special studies. The first study evaluated all electronic data processing (EDP) classes in the State and resulted in a restructuring of the series. The second study reviewed all clerical classes and also recommended restructuring of classes. While these studies were comprehensive and constructive, the Board has conducted too few to ensure that the overall classification plan is accurate and appropriate.

In addition to conducting too few special studies, the Board made relatively few job audits as part of the studies. For example, the clerical study which covered over 23,000 positions was completed with approximately 200 job audits. As a result, individual misclassifications may not have been identified. When study recommendations are implemented and classes restructured and retitled, individual positions may not be reallocated. Rather, all positions may be reallocated in bulk to corresponding levels in the new series.

Management Information Systems

Until 1976 Board analysts used no formal information systems to monitor classification authority delegated to departments. In February 1976, the Board implemented the Classification Level Tracking (CLT) system to assist Board analysts in identifying potential grade creep as well as other position allocation irregularities. The CLT information system provides management reports in six-month intervals. Analysis of the reports and subsequent decision-making results from point-in-time and trend comparisons of index numbers assigned to each class.

The CLT index number is a weighted average of the classification levels within a department or major occupational group within a department or unit. CLT numbers range from 00 to 99 and represent the level of an employee such as student assistant, trainee, journeyperson, first-line supervisor or career executive appointments 1

through 5. A comparison of index numbers from printout to printout reveals grade creep as it exists in the major occupational grouping. Printouts can be further refined to show major occupational groupings within a specific department. As of October 1977, CLT has been operative for 20 months and three printouts have been made. The July 1977 report was analyzed by the Board staff and 57 areas showed potential grade creep problems.

To evaluate the quality and effectiveness of the CLT reporting system, we selected the Regulatory and Public Safety occupational group and analyzed the potential grade creep problems reported. Eight departments were designated by the report as having classes with potential grade creep problem.

To test for grade creep, we reviewed (1) the number of employees per supervisor, (2) the ratio of seniors to journey level staff, and (3) staffing patterns between various district offices and departments. After examining the documentation supporting the various positions, we discussed our findings with department personnel officers. Generally, the positions appeared to be properly classified in accordance with the allocation standard or class specification.

In each of the examples reviewed, the CLT report reflected the presence of a much larger number at a particular level than the service-wide average indicated to be appropriate, thus implying grade creep. Our review, however, showed that the number was proper and in accordance with class specifications and agreed upon ratios.

Despite the failure of the CLT system to identify classification problems, the concept is excellent. Based on our analysis, we believe that modifying the system to use occupational series as the base rather than major occupational groups would enable identification of shifts in ratios between directly related classes.

The Board periodically receives other forms of classification-related data which also could be recorded and used to identify classification problems. For example, each year a number of employees file claims with the State Board of Control requesting payment for working out-of-class. As a standard procedure, the Board of Control requests the State Personnel Board, as well as the claimant's department, to analyze the claim and recommend either approval or denial of the claim. The Board, however, does not record the information and analyze it to identify potential classification problems.

As part of our audit, we reviewed out-of-class claims filed with the Board of Control from November 1976 to November 1977. The claims were summarized by department and class. Our analysis identified

specific classes where numerous claims were made. For example, we found 28 claims filed by licensed vocational nurses and six claims involving employment development officers. While these claims were not approved by the Board of Control, claim trends by class and department could help identify potential classification problems.

Staff Experience and Training

While Board staff working in classification oriented units generally have extensive experience in classification and personnel management, the new positions allocated specifically for conducting classification audits have been filled with new staff services analysts and personnel technicians with no classification or general personnel management experience. The unit manager intends to rely upon a one-half day training course, informal on-the-job training and the Classification and Pay Manual to provide the analysts with the knowledge and skills necessary to conduct classification audits. However, this minimal level of training and experience may limit the accuracy and effectiveness of classification audits.

Conversely, the U.S. Civil Service Commission analysts conducting classification audits of departments have up to five years' direct experience in auditing department classification activities. Additionally, Commission analysts receive a one week formal training course on position classification and desk auditing. According to the Deputy Director of the Commission's Personnel Management Evaluation

Division, it takes a minimum of two years' experience to become competent at conducting classification post-audits.

Inaccurate Classification
of State Employees

The Board's failure to develop and maintain adequate allocation standards and effectively monitor delegated classification authority has contributed in part to classification problems in the State. The visible effects of these deficiencies are misclassified positions and grade creep. To partially measure these two effects, we (1) selected three state departments, reviewed their classification procedures and conducted desk audits, and (2) measured grade creep in state service as a whole for a five-year period.

We selected three departments for analysis of classification procedures, identification of classification problems and verification through job audits. After discussions with each department's personnel officer and staff and review of appropriate documents, we audited a total of 246 positions using an audit methodology agreed to by Board management. The results of the audits exemplify classification problems in only the three departments selected and not the general condition of classification statewide. The results of these audits are summarized below:

<u>Department</u>	<u>Number of Positions Audited</u>	<u>Number of Positions Misclassified</u>
A	217	111
B	16	15
C	<u>13</u>	<u>13</u>
	246	139

The cost effect of misclassified positions varies significantly from one case to another. For example, in one department the positions tended to be over-classified and are a cost to the State. Another case of misclassified positions involves 423 positions assigned the same duties but split between two classes. A new class should be created. The cost effect is dependent upon which salary would be applied to the single new class. If the higher salary is assigned to the new class, there would be an additional cost to the State. Finally, a third group of positions found incorrectly classified would involve no cost effect when correctly classified.

Grade Creep in State Service

There are several different factors which may cause grade creep in state service. Many of the factors are uncontrollable and cannot be measured. Improper classification of employees is one factor which contributes to the total grade creep in state service. However, while we identified specific misclassification cases in three departments, we were not able to measure the amount of grade creep directly attributable to misclassification.

We computed grade creep as a whole for the state service from January 1, 1972 to January 1, 1977 from an analysis of state employee pay statistics. The 1972 weighted average salary for state employees was adjusted for overall percentage salary increases given in the state service each year. Any resulting difference between the adjusted 1972 weighted average and the 1977 weighted average can be explained by at least four factors.

- A change in the average pay step of state employees. If the average step placement for state employees is higher or lower in 1977, then the weighted average salary will be proportionately higher or lower.
- A substantial change in the composition of the state service affecting the average salary. If a large number of higher paid employees such as doctors, lawyers or high level managers are added to the state service, the average salary would be expected to exceed the computed rate.
- Increased and more complex duties.
- Grade creep resulting from classification irregularities.

Applying the above formula to pay statistics provided by the Board enabled computation of grade creep. Statistics revealed that the average step placement of state employees had increased slightly. After

adjustments for both average salary step and annual percentage salary increases, a .087 percentage difference between the 1972 adjusted average salary and the 1977 weighted average salary was calculated and attributed to grade creep. When applied to the total state payroll, a cost of approximately \$19 million was computed. (See Appendix B.)

Changes in the composition of state service have occurred. For example, several recently established state agencies, such as the Energy Commission, have relatively large proportions of higher level professional employees. Additionally, some occupations in state service have become more technically complex over the years. All of these factors cause an increase in the number of higher classified jobs. We were unable to measure the effect of such changes on the average salary, and Board staff were unable to provide examples of major changes to the workforce which could account for the change in the weighted average salary.

CONCLUSIONS

The State Personnel Board has not effectively managed the classification of positions in state departments. The Board has not developed an adequate system to (1) identify the needed allocation standards, (2) develop standards using a uniform methodology, and (3) review and update standards as needed. As a result, up to 39 percent of state employees have been classified into positions for which no standards exist. Additionally, many standards which do exist are more than ten years old and may be inaccurate.

The Board also has not effectively monitored classification to ensure that positions are being accurately classified. Only three classification audits and two special studies have been conducted since 1971. The management information system used to identify classification problems is misleading; additional types of information available to the Board have not been utilized. As a result, some misclassification has occurred, partially contributing to grade creep costing the State up to \$19 million annually.

RECOMMENDATIONS

Upon completing our examination, we presented our conclusions and recommendations to the Board's executive management. After review, Board management concurred with the recommendations shown below.

To improve the management of classification, we recommend the Board:

1. Establish an ongoing process for reviewing major occupational groups/class services. Three to five analysts should be assigned to this effort which would review all class series on a five-year basis. This program would help identify needed allocation standards, review the currency of existing standards and consolidate classes where feasible and cost beneficial.
2. Develop a uniform methodology for developing allocation standards.
3. Continue the recent expansion of audits of delegated personnel functions in state departments. The monitoring of classification should become a standardized process providing for periodic evaluation of each department. The Board must review with departments the corrective action process for misclassification to ensure agreement of corrective time frames. The Board should withdraw classification authority from departments when severe problems are identified and not corrected by departments.
4. Continue use of the current CLT system. The Board should provide departments with more working knowledge of the CLT system, revise CLT so it applies to

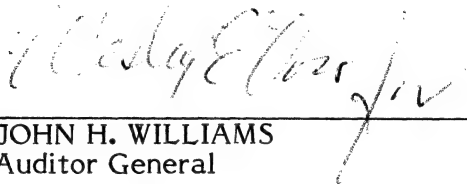
class series rather than major occupational groups and develop a format for reviewing all classification problems identified in the semi-annual CLT review. The review format could include departmental involvement in resolving potential classification problems.

5. Develop a system for tracking reclassification decisions approved by staff. This would permit the staff to annually review a department's classification actions.
6. Develop a better filing system for classification audits, specific job audits and corrective action taken.
7. Establish a better working relationship with the Department of Finance to relate changes in organizational structures to classification control.
8. Develop a format/system that requires state departments to annually review their own classification program and report the results to the Board.
9. Develop a more comprehensive training program for analysts assigned to classification programs.
10. Survey other governmental jurisdictions to consider new classification techniques.

BENEFITS

Implementing these recommendations would provide the system necessary to (1) assist departments in making more accurate classification decisions, and (2) provide the necessary monitoring to ensure that misclassifications and unjustified grade creep are held to a minimum. As a result, the State would avoid unjustified salary expenditures.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

November 4, 1977

Staff: Gerald A. Silva, CPA
Richard C. Mahan
Jeffrey L. Mikles
Robert T. O'Neill

CALIFORNIA STATE PERSONNEL BOARD

801 CAPITOL MALL • SACRAMENTO 95814



November 4, 1977

The Honorable John H. Williams
Auditor General
Joint Legislative Audit Committee
Suite 750
925 L Street
Sacramento, CA 95814

Dear Mr. Williams:

This is in response to your invitation to comment on the report prepared by your staff concerning the management of position classification in State service by the State Personnel Board. Our staff has carefully reviewed the report and our general conclusion is that the report will contribute toward the improvement in the operation of the State's classification and pay plan.

As you know, the management of a classification and pay plan in an organization as large, diverse, complex, and dynamic as California State Government provides a real personnel management challenge. It is our judgement that this challenge has generally been well met over the years through the efforts of the Board and its staff. During the last few years it has been necessary to make increasingly difficult decisions in allocating modest resources to meet many new demands placed in personnel management. In order to achieve the timely and efficient conduct of State business without unreasonable increasing the cost of central personnel administration, over the years the Personnel Board has relied increasingly on the appropriate performance of classification responsibilities in the departments. This delegation of responsibility to the departments is appropriate. However, we agree, and have recognized, that departmental performance under such delegation needs to be effectively monitored. We do not believe that the report in its summary and conclusions gives adequate recognition to the actions we have already taken to accomplish effective monitoring of classification delegation. The Classification Level Tracking System established in 1976 gives us the ability to monitor changes in classification levels in departments and control potential "grade creep". In addition, we have instituted a program of auditing departmental classification practices.

The Honorable John H. Williams

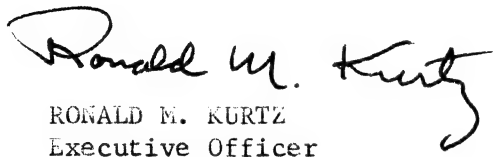
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Our most serious concern about the report, however, is its misleading reference that deficiencies in classification control result in costs of \$19 million annually. The report acknowledges that the payroll costs can be attributable to legitimate changes in the composition of the State work force and that it was not possible to measure the degree to which this is attributable to misclassification. Yet, the report links these costs to deficiencies in classification control. We believe this represents an over-dramatization of the problem.

We believe, however, that classification control requires continuing attention and that the recommendations in the report will contribute toward improving the State's classification and pay management system. We appreciate the assistance provided by your office and the courtesy of your staff in the conduct of the study.

Very truly yours,



RONALD M. KURTZ
Executive Officer

ALLOCATION GUIDELINES

Presented below are excerpts from two different state position allocation standards. Both format and application are different for each standard.

ENERGY FACILITY PROJECT MANAGER

The Notice of Intent assigned to the Project Manager will be assigned points based on the parameters shown below. The sum will be multiplied by a plant fuel factor which reflects the relative difficulty of the project management function. The total number of points will be used to assign appropriate salary levels to the Project Manager.

<u>Parameter</u>	<u>Points</u>
Number of Sites	1 each
Size of Plant	0.1 per 100 MW
Transmission Lines	2 per 100 Miles
Discretionary Points (by Office Manager in Licensing Office)	
- Public Sensitivity	up to 1
- Jurisdiction	up to 1
- Air Basin Problems	up to 1
- An additional 1 point may be assigned for a site in the coastal zone.	

Total points are multiplied by the plant factor.

<u>Fuel Type</u>	<u>Plant Factor</u>
Gas Turbines	1
Combined Cycle	2
Geothermal	3
Nuclear	4
Coal	4

1-25 points - Planner III - Energy Facility Siting

26-43 points - Energy Facility Siting Project Manager I (Various Projects)

44 and above - Energy Facility Siting Project Manager II (Various Projects)

KEY DATA OPERATOR ALLOCATION GUIDES

Introduction to Allocation Guides

The key data operator allocation guides supplement and clarify the specifications for these classes. These guides are based on sample audits of Key Data Operator and supervisory positions in various settings in state service. A limited number of comparable positions in private industry and other governmental entities were also audited for comparison purposes. These guides do not cover every possible situation. Unique combinations of duties and responsibilities not covered in these guides should be discussed with the appropriate PMSD operations analyst.

The quantitative figures shown in these allocation guides referring to size of staff are approximate. It was found in most cases that the relative degree of complexity of operations was related to this quantitative factor with the following exception: The use of key to disc/tape equipment is complex and would support higher level allocations. (Assuming all other factors are equal). In recognition of the differing demands imposed by the varying types of equipment, there are two columns for both the Key Data Supervisor I and Key Data Supervisor II levels. It was necessary to define the types of allocations applicable when key punch equipment is used and those factors identified with key to disc type of equipment. All factors included in these guides should be considered in a composite, not separately.

Additional considerations which enter into determinations of borderline allocations include such items as type of equipment, workload variations, number of shifts, frequency of program changes, number of formats and procedures, and pressure of deadlines.

GAL:me

(Retyped from original; original unsuitable for reproduction.)

COMPUTATION OF GRADE CREEP

Grade creep in state service was computed based on pay statistics provided by the State Personnel Board. The January 1, 1972 weighted average salary was adjusted for (1) overall percentage salary increases given in the State through January 1, 1977, and (2) changes in the average step placement of state employees. The computed weighted average was then compared to the actual January 1, 1977 weighted average salary. Grade creep in state service was computed as the percentage difference between the adjusted average and the actual average.

	<u>1972</u>	<u>1977</u>
Weighted Average Actual Salary	\$849	\$1,255
Average Step Placement of State Employees	4.09	4.19
Computed Weighted Average Adjusted for Overall Percentage Salary Increases		\$1,238
Difference Between Computed Weighted Average and Actual 1977 Weighted Average:	$= \$17 \quad \$17 \div 1,238 = 1.37\%$	
Difference Average Step Placement	$= .1 \quad .1 \times 5\% = \underline{.05}$	
Total		.87%

.87% of \$2,229,640,500 (State Payroll) = \$19,397,872.35

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps